

In the Matter of)	
)	Order Do4-146
PEMCO MUTUAL INSURANCE)	
COMPANY and PEMCO INSURANCE)	CONSENT AND ORDER
COMPANY,)	TO PAY FINE
)	
Authorized Insurers.)	
_____)	

FINDINGS OF FACT

- 1) A Market Conduct Examination, Order Number G-03-92, was conducted to review the companies' procedures between January 1, 2002 and December 31, 2002. Because the companies are under common control they were examined together.
- 2) The following areas of operation were reviewed:
 - a) Advertising;
 - b) Agent Licensing;
 - c) Complaints;
 - d) Underwriting and Rating;
 - e) Rate and Form Filings;
 - f) Cancellation and Non-Renewals; and
 - g) Claims Settlement Practices.
- 3) There were various violations found throughout the examination which the company did correct. The outline of corrective action was received in two letters from the companies. The first dated September 10, 2003, addressed the first six requirements in the Order. The second letter, dated October 27, 2003, addressed the remainder of the requirement.

CONCLUSIONS OF LAW

- 1) The Market Conduct Examination revealed violations of the Washington State Insurance Code in the areas of operation outlined above.
- 2) In determining an appropriate assessment for any violations, the OIC may consider various pertinent factors such as: the carriers' history of previous violations; the carriers' willingness to work with the OIC to take corrective action and ensure compliance with the insurance code;

and the amount of assessment reasonably likely to deter future violations.

- 3) Under RCW 34.05.060, the OIC is authorized to resolve this matter through this Order.

CONSENT TO ORDER

The companies consent to the following in consideration of the desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of the companies' fine and such terms and conditions as are set forth below:

- 1) The companies consent to the foregoing Findings of Fact and Conclusions of Law as they pertain to these facts, consent to the entry of this Order and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of the Order.
- 2) Within thirty days of the entry of this Order the companies agree to pay to the OIC a fine in the amount of \$25,000. The imposition of this fine is on condition that the companies shall not violate the provisions of the Washington state Insurance Code or Washington administrative Code which are the subject of the examination and this Order.
- 3) Failure to pay the fine set for the in paragraph two shall constitute grounds for revocation of the companies' certificates of authority and for the recovery of the full fine.

EXECUTED this _____ day of _____, 2004.

PEMCO Mutual Insurance Company
PEMCO Insurance Company

By: _____

Title: _____

ORDER OF THE INSURANCE COMMISSIONER

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

- 1) PEMCO Mutual Insurance Company and PEMCO Insurance Company are ordered to pay a fine in the amount of \$25,000 upon the condition that during the next two years the companies fully comply with the laws and regulations of the State of Washington which are the subject of this examination and this Order.
- 2) The payment liability and compliance obligations of the companies under this Order are joint and several.
- 3) The companies' failure to pay the fine within the time limit set forth above shall result in the revocation of the insurers' Certificates of Authority, and in the recovery of the fine through a civil action brought on behalf of the commissioner by the attorney general.

ENTERED AT TUMWATER, WASHINGTON this _____ day of _____, 2004.

Mike Kreidler
Insurance Commissioner

By: _____
Mary M. Cotter
Staff Attorney, Legal Affairs